Clip

THE WASHIN

White House, GOP Allies in Arms

Bipartisan Push Begins for Repeal of Tax on Weapons Sold Abroad

By Dana Priest
Washington Post Staff Writer

After months of disagreeing on just about everything, the Clinton administration and Republican leaders have found something to work together on: making U.S.-made weapons cheaper for foreign countries to buy.

Next week, in a rare move for the bitterly partisan 104th Congress, Republicans will introduce a bill written by the administration to repeal a tax on U.S. weapons sold to foreign countries.

To the dismay of arms control advocates, the administration and the Republicans agree that the move would enhance national security and create American jobs. They argue it would give U.S. arms makers—who already supply 70 percent of the world's weapons—a needed edge over competitors.

The levy originally was imposed to recoup government research subsidies to U.S. arms manufacturers. In the past five years foreign countries have paid $919 million in such "recoupment fees" to the U.S. Treasury. Repealing the tax would cut off future revenue just when Congress is looking for ways to cut the deficit.

Ending the tax, which the administration tried in 1993, was considered impossible when the Democrats controlled Congress. But since last year's GOP landslide, the bill has a good chance for passage.

"We're on all fours with the administration on this," said Rep. William F. Clinger Jr. (R-Pa.), chairman of the House Government Reform and Oversight Committee. He said he will introduce the repeal legislation "by administration request" next week.

Arms control supporters are opposed. "The idea the United States is going to benefit economically is absurd; we've got 70 percent of the market share," said Lora Lumpe, who monitors arms sales for the Federation of American Scientists.

Clinton, while denouncing the proliferation of weapons worldwide, has worked actively to protect the market for U.S. companies. The tax repeal is just one example; its stance toward former East Bloc states is another.

In 1994, the State Department more than doubled the new export licenses granted to U.S. companies scrambling to take advantage of the collapse of the Soviet arms monopoly in that region.

The value of export licenses approved to former Warsaw states and Soviet satellites jumped from $27 million in 1993 to $56 million last year, according to information submitted to Congress by the Department of Defense's Defense Security Assistance Agency.

While license approval only indicates an intent to sell weapons, rather than a sale itself, the data provide evidence of how aggressively U.S. companies are targeting the area and how willing the Clinton administration is to help them.

Export licenses to the Czech Republic, for example, jumped from $5.6 million in 1993 to $36.1 million last year. Approvals for Hungary went from $749,000 to $3.6 million and for Russia from $703,000 to $4.8 million. There also were substantial increases for Kazakhstan, Latvia, Romania, Slovakia and Uzbekistan.

"It reflects a lot of firms that say, look, we're not going to have major weapons purchases anymore . . . like during the Cold War," said Richard Grimmett, an arms sales expert the Congressional Research Service. "There may be an opportunity to get involved in the upgrade market" helping emerging countries improve their aged weapons systems.

Last month the administration reversed a Cold War-era policy and permitted the sale of fighter jets, tanks and other sophisticated offensive weapons to 10 countries of the former East Bloc, in part to prepare the nations for possible NATO membership.

Increased arms sales to former East Bloc countries "is a natural evolution" in the post-Cold War relationship between those countries and the United States, said an administration official. "When they cease to be enemies, you start not treating them like enemies."

Administration officials also aim to prepare some former East Bloc countries for membership in NATO, which is a military alliance that requires its members be capable of coming to the defense of allies.

"We are cognizant of all the down sides" of selling more arms to the region, the official said. "We're going to be very careful."

On repealing the recoupment tax, administration officials argue that it would permit allies and friendly countries to buy the type of equipment that will make it easier for the United States to work easily with them in military coalitions.

In this sense, it is a budget-saver for U.S. taxpayers, who otherwise might be forced to pay for increased U.S. defense spending and unilateral military actions. "It's in the taxpayers' interest to have friends and allies who have defense capabilities that are robust," said a high-ranking administration official.

Currently the tax applies only to arms sales made through the Pentagon, not those made directly from a commercial company to a foreign country. Administration officials believe that gives an incentive to foreign governments to buy more arms through private channels and that it

is better for U.S. interests if the sales go through the Pentagon, where foreign government then build a relationship with U.S. military officials.

"You establish a pattern of interaction that allows you to build a relationship of mutual respect and confidence," said the high-ranking official.